

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 1, 2016/2017

**BFN2244 – FINANCIAL STATEMENT ANALYSIS**

(All Sections / Groups)

8 October 2016

2.30 p.m. – 4.30 p.m.

(2 Hours)

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### INSTRUCTION TO STUDENT

1. This Question paper consists of 6 pages (including front page) with **FOUR (4)** Questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet provided.

**Question 1**

a) Given the following information for Blind Bhd for the year 31 December 2015

	RM
Payments to suppliers	20,000
Payments to employees	45,000
Receipts from customers	100,000
Proceeds from the sale of equipment	120,000
Drawings from business investment	5,000
Purchases of equipment	150,000
Cash at beginning of period	20,000
Purchase of property	100,000
Interest payments	10,000
Interest received	25,000
Proceeds from borrowings	15,000
Proceeds from sale of property	80,000
Payment of borrowing (Repayment of principal)	30,000
Taxes paid	7,000
Investment into business	58,000

You are required to prepared a cash flow for Blind Bhd for the year 31 December 2015

b) Analyse the implications of the cash flow statement prepared for Blind Bhd.

**(Total: 25 marks)**

**Continued...**

**Question 2**

You are given the following information for Maxis Company. As of year 1, the company's book value is RM50,000 and its cost of capital is 12%.

	Year 1 RM	Year 2 RM	Year 3 RM	Year 4 RM	Year 5 RM
Sales	122,000	114,000	105,000	96,000	82,855
Operating Expenses	100,000	90,000	80,000	70,000	57,145
Depreciation	10,000	11,300	12,770	14,430	14,430
Net income	12,000	12,700	12,230	11,570	11,280
Dividends	6,000	6,000	5,600	5,700	5,100
Expected book value	50,000	56,000	62,700	69,330	75,200
ROCE	0.2400	0.2268	0.1951	0.1669	0.1500

Dividends for year 6 and beyond are expected to remain at year 5 level.

- Compute Maxis Company's abnormal earnings for year 1 to year 5 **(7.5 marks)**
- Use an accounting-based valuation model to estimate the value of Maxis Company's equity on January 1st of year 1, year 2, year 3, year 4 and year 5 **(7.5 marks)**
- Use the Price-to-Earnings (PE) ratio formula to determine the Price-to-Earnings (PE) ratio on January 1st of year 2, year 3, year 4 and year 5 **(10 marks)**

**(Total: 25 marks)**

**Continued...**

### Question 3

The followings are Lenovo's condensed consolidated statement of financial position and condensed consolidated statement of operations, in millions (unaudited).

#### Statement of Financial Position

	<b>FY03</b>	<b>FY02</b>	<b>FY01</b>
	(RM)	(RM)	(RM)
<b>Assets:</b>			
Cash & cash equivalents	4,232	3,641	4,910
Short term investments	406	273	525
Accounts receivable, net	2,586	2,269	2,424
Inventories	306	278	400
Other	1,394	1,416	1,467
<b>Total current assets</b>	<b>8,924</b>	<b>7,877</b>	<b>9,726</b>
PP&E, net	913	826	996
Investment	5,267	4,373	2,418
Other non-current assets	366	459	530
<b>Total assets:</b>	<b>15,470</b>	<b>13,535</b>	<b>13,670</b>
<b>Liabilities &amp; stockholders</b>			
<b>Equity</b>			
Account Payable	5,989	5,075	4,286
Accrued and other	2,944	2,444	2,492
<b>Total current liabilities</b>	<b>8,933</b>	<b>7,519</b>	<b>6,778</b>
Long-term debt	506	520	509
Other non-current liabilities	1,158	802	761
<b>Total liabilities:</b>	<b>10,597</b>	<b>8,841</b>	<b>8,048</b>
<b>Stockholder's equity:</b>	<b>4,873</b>	<b>4,694</b>	<b>5,622</b>
<b>Total liabilities &amp; stockholders equity:</b>	<b>15,470</b>	<b>13,535</b>	<b>13,670</b>

#### Statement of Income Statement

	<b>FY03</b>	<b>FY02</b>	<b>FY01</b>
	(RM)	(RM)	(RM)
<b>Income Statement</b>			
<b>Net revenue</b>	<b>35,404</b>	<b>31,168</b>	<b>31,888</b>
Sequential Growth			
Year to year Growth	13.60%	-2.30%	26.20%
Cost of Revenue	29,055	25,661	25,445
<b>Gross Margin</b>	<b>6,349</b>	<b>5,507</b>	<b>6,443</b>
Sale, General, and Administration	3,050	2,784	3,193
Research and Development	455	452	482
Special charges	-	482	105

<b>Total Operating Expenses</b>	3,505	3,718	3,780
<b>Operating Income</b>	<b>2,844</b>	<b>1,789</b>	<b>2,663</b>
Investment and other income, net	183	-58	531
Income before income taxes & Change in accounting principle	3,027	1,731	3,194
Income tax provision	905	485	958
Cumulative effect of change in Accounting principle	-	-	59
<b>Net Income</b>	<b>2,122</b>	<b>1,246</b>	<b>2,177</b>
Sequential Growth			
Year to Year Growth	70.30%	-42.80%	30.70%

a) Using the above information, calculate the following ratios for FY02 to FY03

1. Current ratio
2. Quick ratio
3. Working capital
4. Days in accounts receivable
5. Days supply in inventory
6. Days in accounts payable
7. Net days working capital
8. Long-term debt to assets ratio
9. Debt to equity ratio
10. liabilities to total assets

(20 marks)

b) Comment on the changes to Lenovo's liquidity risk and solvency risk

(5 marks)

(Total: 25 marks)

#### **Question 4**

a) Discuss the date AND the amount of revenue/sale should be recognized in the following independent circumstances with financial year end 31<sup>st</sup> December.

- (iv) Fragrance Hemes Corp had delivered 50,000 sachets of perfume in May 2015. The sales value was RM80,000 but Ruby Hotel had paid only RM25,000 and promised to pay the balance in April 2016
- (i) Goods at selling price of RM100,000 were sent out on 14-day 'sale or return basis' on 20 December 2015 which were not returned by financial year end 31<sup>st</sup> December.
- (ii) On 1 Dec 2015, the company received RM1000 cash from the sale of a television set whereby the customer had agreed to pay 40% down payment. The balance RM 1,200 will be paid in 6 monthly installments beginning on 1 January 2016 when television set delivered to the customer.

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- (iii) On 1 November 2015, Fragrance Calvin Corp entered into a contract to deliver 100,000 sachets of perfume to Pleasure Hotel. The hotel paid RM40,000 on signing the contract and the balance of RM60,000 to be paid on delivery. However, Fragrance wonder would only be able to deliver the perfume in February 2016.

**(16 marks)**

b) Kossan Holding Group reported net income of RM 200,000 for the year ended 2015. The following is the group's additional items. Students are required to prepare the Statement of Comprehensive Income.

- (i) The group purchased 10,000 CIMB Company share at RM10 per share in the middle of 2015. The investment is treated as "available for sales". The value of the shares is RM8 at the end of 2015.
- (ii) The group purchased 1,000 RHB Company bond at RM100 per bond at the beginning of 2015. The investment is treated as "hold to maturity". The value of the bond is RM112 at the end of 2014. The maturity date of the bond is the year 2020.
- (iii) The group purchased 1,000 AMMB Company bond at RM100 per bond at the beginning of 2015. The investment is treated as "available for sales". The value of the bond is RM90 at the end of 2014. The maturity date of the bond is the year 2020.

**(9 marks)**

**(Total: 25 marks)**

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